

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT SEPTEMBER 2006 VOLUME XXIV NO. 3

While economists are sometimes accused of practicing magic, there is a major difference between those donning green eyeshades and those wearing pointed hats. Magicians never reveal their tricks. On the other hand, economists are always willing to discuss (sometimes ad nauseam) their methods. Recently, economists have acquired a new gizmo that provides detailed insights into the nation's population. This valuable addition to the profession's tool kit is the U.S. Census Bureau's American Community Survey (ACS), and it is the focus of this month's *Outlook*. With this tool economists can develop useful analyses without resorting to hocus-pocus.

The ACS produces timely and detailed information for the characteristics of local communities. The ACS collects this data by sending out the largest household survey in the United States, with a sample size of nearly three million households. About 6,200 household surveys were sent to Idaho in 2004, producing 4,153 useable responses. Thanks to this comprehensive survey the ACS can annually provide social, housing, and economic information for geographic areas with at least 65,000 people. The ACS will provide data on smaller areas every three to five years. The increased data frequency will be an asset to all communities, and it will be especially useful to areas where the population is rapidly changing. Prior to the ACS, these data were collected once every ten years on the

census long form. The ACS renders the census long form obsolete.

Thanks to the ACS, we have detailed estimates that range from the common to the obscure. For example, the survey reveals there were 532,165 households in the Gem State in 2005, with an average size of 2.62 persons. It also mines many hidden data nuggets. For example, the ACS estimates how many Idaho households (198,569) have at least one child under 18 and the number of households (114,046) with at least one person of age 65 years or older. These data are also currently available for some of the state's larger locations. The ACS shows there were 82,587 households in Boise in 2005. There were 25,655 households with children under 18 years of age and 14,787 with one or more persons 65 years old or older. Unfortunately, estimates for many areas in Idaho will not be available annually because they do not meet the 65,000-person threshold.

The ACS also reports the reliability of the estimates to indicate how well the sample represents the population. One of the most useful statistics the ACS publishes is the measure of error (MOE). This measure is used to calculate the reasonable range of values the estimate may take on. For example, the ACS reports the average size of an Idaho household in 2005 was 2.62 persons, the 11th highest in the nation. The MOE for this estimate is plus or minus 0.2 persons. This means the reasonable

range for Idaho is a high of 2.64 persons per household and a low of 2.60 persons per household. By the way, Utah, with 3.07 persons per household, was at the top of the list and Washington, D.C. was at the bottom of the list with 2.08 persons per household.

The MOE can also be used to determine whether the difference between two estimates is statistically significant or a chance occurrence. In order to illustrate this point we compare the Idaho's average household size to New Jersey's. The Garden State's average household size was 2.71 persons in 2005. We use the MOEs for each state and the formula provided by the U.S. Census to see whether the difference between the Gem and Garden states' households is significant. Our calculations suggest the difference between the two household estimates is indeed significant. These comparisons can be made for any two areas thanks to the MOEs included in the ACS.

Magicians usually warn their audience not to repeat tricks at home. On the other hand, we hope this *Outlook* piqued your interest in the ACS and we encourage you to explore this rich data source. The ACS can be accessed at <http://www.census.gov/acs/www/>. No top hat, wand, or cape is required. All you need is a computer, Internet connection, and a curious mind.

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General Fund Update

As of August 31, 2006

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY07 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,245.3	170.7	174.4
Corporate Income Tax	207.0	14.6	15.6
Sales Tax	1,074.6	163.0	168.1
Product Taxes ¹	21.7	3.8	3.8
Miscellaneous	113.9	12.0	16.2
TOTAL GENERAL FUND²	2,662.5	364.2	378.2

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of August 2006

General Fund revenue was a modest \$1.2 million higher than expected for the month of August, bringing the fiscal year-to-date excess to an even \$14 million above the predicted amount. The largest gain in August was in the Miscellaneous category (ahead by \$3.6 million) followed by Sales Tax (ahead by \$1.9 million). Corporate Income Tax was \$4.3 million lower than predicted for the month.

Individual income tax revenue was \$0.1 million higher than expected in August, bringing the fiscal year-to-date excess to \$3.7 million. This minor gain consisted of \$0.2 million higher-than-expected filing payments, \$0.3 million lower-than-expected refunds, \$0.2 million lower-than-expected miscellaneous diversions, less \$0.6 million lower-than-expected

withholding collections. Although withholding was lower than expected for the month, this important component of the individual income tax is \$2.5 million higher than expected for the fiscal year to date.

Corporate income tax revenue experienced a correction in August, as revenue previously attributed to the corporate income tax was shifted to the mine license tax (an element of the miscellaneous revenue category). Over half of the month's shortage of \$4.3 million was due to moving \$2.3 million out of this category and into the mine license tax. Beyond this factor, quarterly estimated payments were \$3.2 million lower than expected and refunds were \$2.6 million lower than expected.

Sales tax revenue was \$1.9 million higher than expected in August, bringing the fiscal year-to-date excess to \$5.1 million. A major driver of sales tax collections, housing and construction activity, continues to defy gravity in Idaho. Nonetheless, this factor is expected to moderate in the months ahead.

Product taxes were on target in August, while miscellaneous revenue was \$3.6 million higher than expected for the month. The bulk of this gain was due to the effect of recording \$2.3 million in mine license tax that had previously been recorded as corporate income tax. Another \$1.8 million of unexpected excess revenue came in the form of interest earnings for the month. These gains were offset by a shortfall of \$0.4 million in the unclaimed property category.